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Message Text

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71
ORIGIN EB-07

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---------- 121394
P 132048Z AUG 76
FM SECSTATE WASHDC
TO AMEMBASSY LONDON PRIORITY

C O N F I D E N T I A L STATE 201912

E.O. 11652: GDS

TAGS: EAIR, UK

SUBJECT: CIVAIR - US-UK AVIATION RELATIONS--BRITISH
UNILATERAL ACTION

1. LATE AFTERNOON AUGUST 12 UK EMBOFFS MORETON AND
CRUICKSHANK DELIVERED NOTE TO ASSISTANT SECRETARY GREENWALD
SERVING NOTICE UK WILL IMPOSE AIRLINE CAPACITY RESTRICTIONS
IN CHICAGO-LONDON AND MIAMI-LONDON THIS WINTER. TEXT OF
EMBASSY NOTE FOLLOWS:

BEGIN TEXT. ... AND HAVE THE HONOUR TO REFER TO THEIR
NOTE NO. 97 DATED 11 MAY 1976 ABOUT AIR TRANSPORT CAPACITY
TO BE PROVIDED ON NORTH ATLANTIC ROUTES.

IN THAT NOTE, THE GOVERNMENT OF THE UNITED KINGDOM OF
GREAT BRITAIN AND NORTHERN IRELAND MADE CLEAR THE IMPOR-
TANCE THEY ATTACHED TO AVOIDING THE PROVISION OF EXCESS
CAPACITY ON NORTH ATLANTIC ROUTES DURING THE WINTER PERIOD
1976/77 AND THEREAFTER. THEY REGRET THAT DESPITE THEIR
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EFFORTS AND THE EFFORTS OF BRITISH AIRWAYS, IT HAS NOT

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PROVED POSSIBLE TO OBTAIN AGREEMENT REGARDING THE CAPACITY TO BE PROVIDED DURING THE COMING WINTER. IT WAS STATED IN THE NOTE THAT FAILURE TO CONCLUDE SUCH AGREEMENT BY 31 JULY 1976 WOULD LEAD HER MAJESTY'S GOVERNMENT TO TAKE WHATEVER

MEASURES MIGHT AT THE TIME PROVE NECESSARY TO ENSURE THAT CLOSE RELATIONSHIP BETWEEN CAPACITY AND DEMAND FOR WHICH PROVISION IS MADE IN THE BERMUDA AGREEMENT AND THE SUBSEQUENT UNDERSTANDINGS.

AS A RESULT OF THE DISCUSSIONS BETWEEN DELEGATIONS IN MID-JULY AND INFORMATION SUBSEQUENTLY GIVEN BY THE LEADER OF THE UNITED STATES DELEGATION, HER MAJESTY'S GOVERNMENT ARE RELUCTANTLY PREPARED TO ACCEPT THE LEVEL OF CAPACITY CURRENTLY PLANNED ON THE ROUTES BETWEEN LONDON AND NEW YORK, BOSTON, LOS ANGELES, PHILADELPHIA, WASHINGTON AND DETROIT AS SET OUT IN THE ANNEX TO THIS NOTE. HOWEVER, ON TWO CITY-PAIR ROUTES, LONDON/MIAMI AND LONDON/CHICAGO THE LEVELS OF CAPACITY NOW PLANNED FOR THE FORTHCOMING WINTER PERIOD WILL NOT BEAR THAT CLOSE RELATIONSHIP TO THE REQUIREMENTS OF THE PUBLIC FOR AIR TRANSPORT WHICH IS REQUIRED BY PARAGRAPH (3) OF THE FINAL ACT OF THE BERMUDA CIVIL AVIATION CONFERENCE OF 1946 AND CONFIRMED IN THE SUBSEQUENT UNDERSTANDINGS. HER MAJESTY'S GOVERNMENT HAVE THEREFORE DECIDED TO REQUIRE THE AIRLINES CONCERNED TO CONFORM TO THE FOLLOWING LEVELS OF CAPACITY ON THESE TWO CITY-PAIR ROUTES DURING THE FORTHCOMING WINTER PERIOD FROM 1 NOVEMBER 1976 TO 23 APRIL 1977:

(A) ON THE ROUTE BETWEEN LONDON AND MIAMI, BRITISH AIRWAYS AND NATIONAL AIRLINES SHALL EACH OPERATE NOT MORE THAN FIVE SERVICES PER WEEK WITH WIDE-BODIED AIRCRAFT IN EACH DIRECTION;

(B) ON THE ROUTE BETWEEN LONDON AND CHICAGO, BRITISH AIRWAYS AND TRANS WORLD AIRLINES SHALL EACH OPERATE NOT MORE THAN FOUR WIDE-BODIED AIRCRAFT IN EACH DIRECTION.

THE RESULTANT CAPACITIES ON ALL NORTH ATLANTIC ROUTES ARE SET OUT IN THE ANNEX TO THIS NOTE.
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THE AIRLINES ARE BEING INFORMED ACCORDINGLY.

HER BRITANNIC MAJESTY'S EMBASSY AVAIL THEMSELVES ...
END TEXT.

2. IN RESPONSE, ASSISTANT SECRETARY GREENWALD MADE FOLLOWING POINTS:

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A. WE SHARE THE BRITISH CONCERN WITH REGARD TO EXCESS CAPACITY WHERE THE FACTS INDICATE THAT THE AIRLINES AND THE PUBLIC WILL BE ADVERSELY AFFECTED.

B. OUR ASSESSMENT OF THE FACTS IN THE TWO CASES AT ISSUE

DIFFERS FROM THAT OF THE BRITISH.

C. WE DO NOT BELIEVE THAT GOVERNMENTAL INTERVENTION IN THE MARKET PLACE IS WARRANTED EXCEPT IN THE MOST EXTREME CIRCUMSTANCES WHICH DO NOT EXIST HERE.

D. MOREOVER, THE ACTION WHICH THE BRITISH PROPOSE TO TAKE IS NOT CONSISTENT WITH EITHER THE BERMUDA AGREEMENT OR SUBSEQUENT UNDERSTANDINGS.

E. DEPUTY SECRETARY ROBINSON WARNED AMBASSADOR RAMSBOTHAM THAT UNILATERAL ACTIONS WOULD INEVITABLY HAVE ADVERSE IMPACT ON THE RENEGOTIATION.

F. THE GENERAL QUESTION OF GOVERNMENTAL INTE VENTION IN DETERMINING AIRLINE CAPACITY IS AN ISSUE THE BRITISH GOVERNMENT HAS IDENTIFIED AS ONE TO BE CONSIDERED IN THE RENEGOTIATION.

G. THE ACTION THE BRITISH GOVERNMENT IS TAKING WITH RESPECT TO THE MIAMI AND CHICAGO MARKETS APPEARS TO BE A BRITISH EFFORT TO RESOLVE THIS ISSUE IN ITS FAVOR OUTSIDE THE RENEGOTIATION.

H. WE VIEW THE BRITISH ACTION WITH DISMAY AND REGRET.

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I. THIS MATTER WILL NOW HAVE TO BE CONSIDERED AT VERY HIGH LEVELS IN THE US GOVERNMENT TO DETERMINE THE EXTENT TO WHICH THE BRITISH ACTIONS WILL AFFECT THE RENEGOTIATION.

J. WHATEVER OUR RESPONSE WILL BE, IT IS EVIDENT THAT THE ALREADY DIFFICULT TASK OF RENEGOTIATION WILL BE COMPOUNDED BY THE BRITISH ACTIONS.

3. EMBASSY OFFICERS SHOULD USE SUITABLE OCCASIONS TO MAKE PARA 2 POINTS TO APPROPRIATE LEVELS OF UKG. ROBINSON

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